

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1104 - HB 1509

March 21, 2021

SUMMARY OF ORIGINAL BILL: Authorizes the Department of Human Services (DHS) to utilize an alternative methodology to a market rate study, including cost-of-quality studies and cost estimation models, when determining the annual reimbursement rate to be paid to child care providers on behalf of low-income families.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – A recurring increase in federal expenditures of \$21,900 in FY21-22 and subsequent years is estimated to be absorbed within the DHS's annual Child Care Development Fund block grant.

SUMMARY OF AMENDMENT (004004): Deletes all language after the enacting clause.

Authorizes DHS to utilize an alternative methodology to a market rate study, including cost-of-quality studies and cost estimation models, when determining the annual reimbursement rate to be paid to child care providers on behalf of low-income families.

Authorizes the DHS to take actions necessary to support the development of shared services alliances and family child care networks to improve the quality of child care, give child care providers access to innovative business resource platforms, and provide a means of cost savings to child care providers through negotiated discounts.

Authorizes DHS to contract with one or more entities as necessary to accomplish these objectives.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Based on information provided by DHS, the Department currently engages in supporting the development of shared services alliances and family child care networks for the purposes stated in the proposed legislation.
- This includes contracts with the Community Foundation of Middle Tennessee (CFMT), Tennessee State University, and Signal Centers to, among other things: a) support shared resources development and deployment which include tools for business management, human resources, program administration, and various classroom and curriculum resources; (b) purchase supports such as coaching, peer support, and technical assistance; and (c) offer a series of business academies to providers at no cost which include instruction on accounting, budgeting, marketing, and employment practices.
- Through the contract with CFMT, child care providers can also access bulk purchasing at discounted prices.
- All of the purposes described in the proposed legislation are expected to be allowable uses of the DHS's annual Child Care Development block grant.
- Pursuant to Tenn. Code Ann. § 71-1-130(a)-(b), DHS must perform a market rate study of day care rates annually and from that study determine the amount to be paid to child care providers as reimbursement on behalf of low-income families.
- In addition, approximately every three years, the Department conducts a narrow cost analysis to satisfy federal funding requirements.
- DHS currently contracts annually with the University of Tennessee Boyd Center for Economic and Business Research (UT-CEBR) for these studies.
- The current annual cost to DHS for the market rate study is \$33,100. The cost to DHS in years in which the Department requires an additional study varies. In 2021, the Department is contracting with UT-CEBR, in collaboration with the Social Work Office of Research and Public Services, to conduct an additional cost of care study. The value of the contract for both of those studies is approximately \$55,000.
- Therefore, the increase in expenditures related to the additional cost of care study this year is approximately \$21,900 (\$55,000 - \$33,100).
- It is assumed that, were DHS to decide to commission a study utilizing an alternative methodology, including a cost-of-quality study or cost estimation model, a market rate study and a narrow cost analysis would still be required to satisfy state and federal requirements.
- The exact cost to DHS to conduct a study utilizing an alternative methodology is unknown and dependent on the particular methodology and other variables. However, it is reasonably assumed to cost an amount equal to the estimated cost of the cost of care study being conducted by UT-CEBR, or \$21,900.
- Such studies are an allowable use of the Department's annual federal Child Care Development Fund (CCDF) grant.
- Therefore, an increase in federal CCDF expenditures to DHS estimated to be \$21,900 in FY21-22 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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